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2009

SUDBURY CONTACT

MINES LIMITED

FOR THE YEAR ENDED
DECEMBER 31, 1965

ANNUAL REPORT



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SUDBURY CONTACT MINES LIMITED

(Incorporated under the Laws of the Province of Ontario)

Executive and Head Office	Suite 1101, 365 Bay Street Toronto, Ontario
Directors	WM. L. HOGARTH, JR. BERNARD KRAFT PAUL PENNA NORMAN B. SHERIFF
Officers	PAUL PENNA, <i>President</i> NORMAN B. SHERIFF, <i>Vice-President</i> BERNARD KRAFT, <i>Secretary-Treasurer</i>
Consulting Engineer	WALTER F. BROWN, B.Sc., P.ENG.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Thorne, Mulholland, Howson & McPherson Chartered Accountants Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Annual Meeting	April 26, 1966, 1:30 in the afternoon (Toronto Time), Room 3, Royal York Hotel, Toronto, Ontario

SUDBURY CONTACT MINES LIMITED

Directors' Report

To the Shareholders,
SUDBURY CONTACT MINES LIMITED:

The Directors of your company present the audited financial statements for the year ended December 31, 1965, along with the following summary of activities and investments during the fiscal year and subsequent period to date.

The exploration program that was initiated during the spring of 1965 on the leased 'Provincial Mining Property' in Gillies Timber Limit, Cobalt Area, Ontario, is continuing. The shaft headframe was rehabilitated at the site of the No. 2 Shaft, and the mine workings dewatered to provide exploration access at the various levels to the 350 foot horizon.

The program of underground exploratory drilling commenced from the 350 foot level during September, to systematically explore the favorable horizon in the vicinity of the contact between the cobalt sediments and the Keewatin. While no significant drill intersections have been obtained to date, the property is considered to have good potential and covers considerable unexplored favorable ground.

During July, 1965, your company participated with a financing group in an underwriting of treasury shares of Cochenour Willans Gold Mines Limited, purchasing for its investment account a block of 50,000 shares at \$2.75 per share, or a total cost of \$137,500. These shares had a quoted market value as at December 31, 1965, of \$4.40 per share. The quoted value of the company's marketable securities, including its holdings in Cochenour Willans Gold Mines Limited, as at December 31, 1965, was \$618,011.

Cochenour Willans Gold Mines Limited is an established gold producer in the Red Lake

Area of Northwestern Ontario. In addition to its gold mining operations, Cochenour Willans Gold Mines Limited is active in exploration. Late in 1965, as a result of indications of base metal possibilities revealed by an aerial geophysical survey carried out for the company by Selco Exploration Company Limited, a subsidiary of Selection Trust Limited of London, England, Cochenour Willans Gold Mines Limited staked a considerable number of claims along an approximate 30-mile long belt to the north of its gold mining operations.

The numerous geophysical anomalies indicated both by airborne and ground surveys, correlated with known showings of copper and nickel, led to a decision to embark on a major exploration program to investigate the inferred possibilities of base metal deposition. A group of approximately 1,000 claims, representing ground held by Cochenour Willans Gold Mines Limited, were transferred to Cochenour Explorations Limited which was organized for this purpose. Cochenour Willans Gold Mines Limited has a 51% interest in Cochenour Explorations Limited which is currently conducting an extensive drilling program to test the numerous geophysical anomalies and surface showings. A minimum expenditure of \$500,000 has been recommended for this preliminary program being conducted by Cochenour Explorations Limited.

As mentioned in the 1964 Annual Report to shareholders, your company has a 10% interest in the Dickson Yukon Prospecting Syndicate which was organized with a subscribed capital of \$96,000 in 1963. In June, 1965, an offer was made to the Syndicate by Dynasty Exploration Limited to take over the claims held in the Vangorda Area in the Yukon. This offer was approved in July, 1965 by all members of the

Syndicate which turned over its 127 claims and fractions to Pelly River Mines Limited, organized to acquire and explore these claims. In consideration of these claims, the Dickson Yukon Prospecting Syndicate expects to receive 750,000 fully-paid non-assessable shares of Pelly River Mines Limited.

Under the terms of the agreement between the Syndicate and Dynasty Exploration Limited, the latter agreed to spend up to \$100,000 for exploration on the subject claims, taking down shares of Pelly River Mines Limited at the rate of 10 shares for each \$1.00 of expenditure. A condition of the agreement is that sufficient expenditures will be made to maintain the claims in good standing for a period of two years. The Syndicate has the right to contribute towards the financing for any expenditures exceeding \$100,000 to maintain the ratio of its interest with Dynasty Exploration Limited. If Dynasty Exploration Limited expends the full sum of \$100,000, its interest at that time would be equal to approximately 57.15% with the Syndicate holding the remaining 42.85%. Failure of either party to maintain its ratio would vary their respective interests accordingly.

The claims now held by Pelly River Mines Limited flank the property of Vangorda Mines Limited (controlled by Kerr Addison Mines Limited) to the northwest and to the southeast. They are adjacent to a large holding of Dynasty Exploration Limited on the southwest of the latter's property boundary, and certain of the claims are in close proximity to the 'Faro' claim group of Dynasty Exploration Limited, on which a possible 30 million tons of between 8% and 10% combined lead-zinc plus one ounce silver per ton, is reported to be indicated by diamond drilling. Previous drilling on the Vangorda Mines' property outlined an estimated 9.3 million tons of low grade mineralization.

The Dickson Yukon Prospecting Syndicate advised its contributing members that the closest

corner of the Pelly River Mines' claims is about 3,000 feet distant from the 'Faro' orebody. A small lens of ore is reported between the Faro orebody and the Pelly River Mines' claim boundary, and might be as close as 2,000 feet. The Faro deposit is reported to be flat-lying dipping 20 degrees southwesterly. The gravity anomaly over the orebody indicated it is oval in shape and does not continue down dip, however faulting could alter this projection. While it is not considered likely that the Faro orebody extends into the Pelly River Mines' claims, it is quite probable that the ore horizon does, according to a statement issued by the Syndicate. It is felt that any such ore horizon would not be detected by geophysical methods and an exploration program by diamond drilling would provide the most valuable information. The claims are considered to be potentially valuable and the results of exploration will be followed with great interest.

Your company still retains a considerable number of patented claims in Fairbanks and Montgomery Townships, Ontario, which have been held over the years. A group of three patented claims is also held in Big Duck Lake, Schrieber, Ontario, which were brought to patent in 1918 and retained since that time.

As shown on the Balance Sheet, your company enjoys a good working capital position, amounting to \$401,904.12 as at December 31, 1965, taking its marketable securities at cost. It is the policy of the company to utilize both the financial and technical resources available in mining exploration.

On behalf of the Board of Directors,

"PAUL PENNA",
President.

March 21, 1966.

BALANCE SHEET — *December 31, 1965*

ASSETS

CURRENT ASSETS:

Cash	
Marketable securities, at lower of cost and market (market value \$618,011.00)	
Receivable from brokers	
Prepaid expenses	

MINING CLAIMS AND PROPERTIES, at cost, and deferred exploration expenditures

FIXED ASSETS:

	<i>Cost</i>	<i>Allowance for Depreciation</i>
Equipment	19,027.72	3,805.54
Office furniture	1,525.78	152.57
	<u>\$20,553.50</u>	<u>\$3,958.11</u>

OTHER ASSETS:

Interest in prospecting syndicate, at cost	
Unlisted and escrowed securities, at nominal value	

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	
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SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized:

6,000,000 shares, par value \$1.00 per share

Issued:

4,955,000 shares	
Less Discount	

DEFICIT

SUDBURY CONTACT MINES LIMITED

(Incorporated under the laws of Ontario)

AUDITORS' REPORT

To the Shareholders of
Sudbury Contact Mines Limited:

We have examined the balance sheet of Sudbury Contact Mines Limited as at December 31, 1965 and the statements of income and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of income and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & MCPHERSON,
Chartered Accountants.

Toronto, Canada,
March 9, 1966.

Approved on behalf of the Board.

PAUL PENNA, Director

BERNARD KRAFT, Director

10,040.01	
399,090.38	
54.69	
2,406.15	411,591.23

1,184,457.89

Net

15,222.18	
1,373.21	
	16,595.39

9,600.00	
1.00	9,601.00

\$ 1,622,245.51

9,687.11

4,955,000.00	
3,029,500.00	
1,925,500.00	
312,941.60	1,612,558.40
	<u>\$ 1,622,245.51</u>

SUDBURY CONTACT MINES LIMITED

STATEMENT OF INCOME

Year ended December 31, 1965

REVENUE:

Interest and dividends	10,499.03	
Profit on sale of marketable securities	15,668.07	26,167.10

EXPENSES:

Administration, office, and accounting	5,084.37	
Shareholders' information	3,143.55	
Legal and audit (including legal fees of \$2,500.00 re participation in Cochenour Willans Gold Mines Limited financing)	7,154.45	
Stock exchange filing fees	285.75	
Transfer agent fees	1,139.80	
Directors' fees	500.00	
Interest	188.47	
Depreciation, office furniture	152.57	
Miscellaneous	211.69	17,860.65

NET INCOME FOR YEAR		<u>\$ 8,306.45</u>
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STATEMENT OF DEFICIT

Year ended December 31, 1965

Deficit at beginning of year	313,232.15
<i>Add</i> Claims abandoned and written off, including exploration expenditures thereon	8,015.90
	321,248.05
<i>Deduct</i> Net income for year	8,306.45
DEFICIT AT END OF YEAR	<u>\$312,941.60</u>

SUDBURY CONTACT MINES LIMITED

MINING CLAIMS AND PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Year ended December 31, 1965

Cost of claims at beginning of year	1,009,477.34		
Cost of asset acquired during year:			
Provincial Mining Property, Cobalt	7,000.00		1,016,477.34
Deferred exploration expenditures at beginning of year	125,343.08		
Expenditures during year:			
Provincial Mining Property, Cobalt:			
Wages	18,074.00		
Light and power	3,076.13		
Royalties	2,000.00		
Insurance and workmen's compensation	862.73		
Road maintenance	373.75		
Employee benefits	467.93		
Drilling	8,738.19		
Engineering fees	417.65		
Depreciation, equipment	3,805.54		
Supplies and tools	5,077.09		
Fuel oils and chemicals	281.15		
Equipment rentals	631.28		
Assays	448.52		
Other	3,496.59		
	47,750.55		
Dalet township:			
Drilling	2,558.30		
Other properties:			
General	344.52	50,653.37	175,996.45
			1,192,473.79
Less Claims abandoned and written off:			
Dalet township		1.00	
Exploration expenditures thereon		8,014.90	8,015.90
BALANCE AT END OF YEAR			\$ 1,184,457.89

